



CABINET

9TH JULY 2015

AGENDA ITEM (8)

SUMMARY FINANCE/SERVICE PERFORMANCE REPORT - 2014/15 YEAR END

Accountable Member	All relevant Cabinet Members
Accountable Officers	Heads of Service

Purpose of Report	<p>To summarise overall performance for the Council, with particular focus on progress towards achieving the Council's top tasks, and efficiency measures.</p> <p>To provide information on the Council's financial position including revenue outturn and budget variances; and capital expenditure, capital receipts and use of reserves.</p>
Recommendations	<p>That Cabinet:</p> <p>(a) notes the service and financial performance in 2014/15;</p> <p>(b) approves the establishment of a Business Rates Movement Reserve and allocates a balance of £650,000; the use of the Reserve to be determined by Council as part of the budget setting process;</p> <p>(c) agrees a provision of £150,000 to cover potential exchange rate losses and any future tax liability or discounted costs regarding Glitnir investment holding currently in Escrow;</p> <p>(d) agrees a provision of £99,323 to fund the settlement of the land charges legal challenge;</p> <p>(e) approves an allocation of £100,000 from capital receipts to provide additional funding for the Community Projects Fund;</p> <p>(f) notes the changes to the Council's Financial Rules approved by the Chief Finance Officer using her delegated powers.</p>
Reason for Recommendation	<p>The Council's performance management arrangements provide the Overview and Scrutiny Committee and Cabinet with the opportunity to consider and comment on both service and financial performance on a quarterly basis.</p>

Ward(s) Affected	None
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Key Decision	No
Recommendation to Council	No
Financial Implications	As described in sections 2 and 3 of the report
Legal and Human Rights Implications	Nil
Human Resource Implications	Nil
Environmental and Sustainability Implications	Nil
Human Resource Implications	Nil
Key Risks	As described in section 4 of the report
Equalities Analysis	Not required

Related Decisions	The Council or the Cabinet approve all new capital schemes
Background Documents	Two performance reports are available in the Members' Room: A progress report of key tasks which contribute to Council Priorities, and a Performance Indicator report
Appendices	Appendix 'A' - Progress towards achieving our top tasks Appendix 'B' - Progress on efficiency measures Appendix 'D' - Revenue variances over £10,000 Appendix 'E' - Financial reporting - summary Appendix 'F' - Summary of gross capital expenditure

Performance Management Follow Up	Implement any Cabinet decision(s)
Options for Joint Working	Joint Working progress will be documented under the top task 'Implement the Joint Working Strategy with West Oxfordshire to deliver savings of £600,000 over the next five years (from April 2013)'

Background Information	
1.	<u>Operational Performance</u>
1.1	The final update of the Corporate Strategy and Plan 2012-15 (2014/15 update) sets out the Council's vision, aim and priorities, and includes a refresh of the top tasks. The Council's service plans demonstrate how each service contributes to the overall achievement of the Council's priorities.
1.2	The Medium Term Financial Strategy 2014/15-2017/18 includes total savings target of £1,275,000, and a target of £316,000 to be delivered in 2014/15; a number of projects, including some of our nine top tasks will contribute to this achievement.

1.3 Each quarter, the Council monitors its progress towards achieving the aim and priorities set out in the Corporate Strategy and Plan as well as service performance, which are reported together with our financial performance as part of this report.

1.4 Overall, the Council has largely achieved what it set out to do at the beginning of the year; we completed five top tasks and nearly 80% of other planned actions contributing to the delivery of the Council's priorities. Seventy-six per cent of performance indicators were on target or close to target; this is a lower level of service performance than the previous year.

1.5 In terms of financial performance, spending continues to be well controlled. The Council planned to make a contribution to the General Fund Working Balance (GFWB) of £1,500. The Council's net budget requirement for the year was £10,821,540 while actual expenditure was £9,516,026 delivering an operational under-spend of £1,305,514.

1.6 The budget for 2014/15 assumed that a transfer from General Fund Working Balance of £565,416 would be required to finance the business rates element of the collection fund deficit which arose in 2013/14. As there has been a significant under-spend in the operational budget for 2014/15, this has been used to finance the business rates deficit in year. Once 2014/15 business rates transactions are taken into account, the **net** transfer to the General Fund Working Balance is £971,230, an improvement on the planned position of £969,730. The Chief Finance Officer is recommending that this under-spend is used to establish a Business Rates Pool Reserve of £650,000 and to fund two provisions totalling £249,323. Once these transactions are taken into account, the final contribution to General Fund Working Balance for 2014/15 is £71,904.

Performance Against Top Tasks

1.7 Overall, we are on target with the delivery of the Council's nine top tasks; five top tasks have been achieved, and the remaining four are progressing as expected. A full update is attached at **Appendix 'A'**.

1.8 The following top tasks have been achieved:

- Complete a review into the potential for joint working based upon the broader GO Shared Service Partnership of Cotswold, West Oxfordshire, Forest of Dean and Cheltenham Councils by the end of July 2014;
- Produce a robust, evidenced Draft Local Plan for public consultation by 31st December 2014 (and subsequent submission for independent examination which meets the requirement of the National Planning Policy Framework in full);
- Provide assistance to communities to have energy efficient homes which are ward through the Green Deal Together Community Interest Company and through the delivery of Warm and Well Plus during 2014/15;
- Deliver 400 affordable homes between 2012 and 2016;
- Provide financial and technical support for flood alleviation projects, and work in partnership with agencies and communities to reduce the risk of property flooding during 2014/15.

Performance Against All Tasks

1.9 Our Council priorities are:

- Freeze Council Tax for the next three years (from 2012) whilst protecting front line services that matter to our residents;
- Maintain and protect our environment as one of the best places to live, work and visit; and
- Work with local communities to help them help themselves.

1.10 Our Service Delivery Plans demonstrate how each service contributes to the achievement of our priorities. During the year, officers completed 26 tasks; and the four tasks that were not achieved will be delivered during 2015/16.

Table 1 Summary of Performance - All Key Tasks

Status	2013/14		2014/15	
	Number	% ¹	Number	% ¹
Achieved	24	80.0	26	78.8
Not achieved	3	10.0	4	12.1
Cancelled/superseded/ on hold	3	10.0	3	9.1
Total	30		33	
In progress (not due)	7		6	

Performance Against All Indicators

1.11 Over 75% of performance indicators achieved their targets or achieved their targets 'within tolerance'; a lower level of performance compared to previous years. During the year, there have been capacity issues in some services due to higher workloads and turnover of staff. Senior Management Team will continue to take the necessary actions to ensure that there is adequate resource to maintain service delivery.

Table 2 - Summary of Performance - All PIs

Status	2012/13		2013/14		2014/15	
	Total	% ¹	Total	% ¹	Total	% ¹
Achieved or exceeded target	31	67.4	30	75.0	22	59.5
Achieved target within tolerance	8	17.4	6	15.0	6	16.2
Target not achieved	7	15.2	4	10.0	9	24.3
Total	46		40		37	
No target/no data	3		7		3	

1.12 Performance for minor applications and other applications (not measured as key performance indicators) fell during 2014/15 due to workloads, and a combination of other factors, including turnover of staff. A set of actions was agreed including enhancements to the remuneration package; and by the end of June 2015, all vacant planning posts are expected to be filled.

¹ All percentages have been rounded

Efficiency Measures

1.13 The Council's aim is 'to be recognised as the most efficient council in the country', and the Corporate Strategy 2012-15 sets out how we will measure our progress using a basket of indicators:

- Overall cost of council services per head of population (Revenue Estimates)
- Rate of increase in council tax
- Time taken to process housing benefit/[council tax benefit] - new claims
- Percentage of council tax collected
- Amount of household waste per household (kg)
- Percentage of household waste sent for recycling, composting and reuse
- Sickness absence rate
- Unemployment claimant rate (job seekers allowance)
- Overall crime rate per 1,000 population

1.14 For each indicator, we rank our performance against the performance of all 201 shire district councils; the council with the best performance is ranked 1, and the worst performance is ranked 201. The rankings for the individual indicators are aggregated to produce an overall ranking for each council. The council with the lowest score is the best performing or 'most efficient council'.

1.15 We established baseline rankings for all the indicators and an overall ranking (primarily based on 2011/12 data) for the whole basket of indicators which we are using to gauge future improvements.

1.16 Each year, we complete an assessment of how we compare, once all the benchmarking data has become publicly available. We recently completed the third ranking exercise (primarily based on 2013/14 data) which placed the Council in 4th position; an improvement of one place on the previous year, and five places on the baseline year (low is good).

1.17 The latest update on how we are performing against each of the indicators is attached at **Appendix 'B'**, and primarily relates to 2014/15.

2. Financial Performance

Business Rates - Cotswold District Council

2.1 The net yield from the business rates retention scheme was estimated to be £1,808,199. This was based upon estimated business rate income of £29m. The outturn position for business rate income is £27.3m.

2.2 One of the most significant reasons for the variance is the Government imposed deadline of 31st March 2015 for the receipt of appeals against the 2010 list. Consequently, a significant number of appeals were lodged in the last 2 weeks of the financial year. The provision for appeals has increased from £1.2m as at 31st March 2014 to £2.1m as at 31st March 2015, an increase of £0.9m.

2.3 The impact upon the Collection Fund, which contains the business rates transactions, is a deficit of £650,874 which will need to be considered as part of the budget setting process for 2016/17.

2.4 The General Fund has benefited from:

- a lower levy payable to central government saving £250,872;
- higher than anticipated income from specific government grant (to compensate for impact on business rates yield of the government's decisions on small business rate reliefs awarded) of £169,843.

2.5 The Council is also set to receive benefit from Solar Farms that have come into the rating list in 2014/15. The benefit of these, and income of £67,176, will be received in 2015/16.

2.6 The budget for 2014/15 assumed that a transfer from General Fund Working Balance of £565,416 would be required to finance the business rates element of the collection fund deficit which arose in 2013/14. As there has been a significant under-spend in the operational budget for 2014/15, this has been used to finance the deficit in 2014/15, and the transfer from General Fund Working Balance has not been required.

Business Rates Gloucestershire Pool

2.7 In 2013/14 the Council entered into the Gloucestershire Business Rates Pool. The aim of the Pool is to maximise the business rate income retained within the County. At the end of 2013/14, the Pool generated a surplus of £774,862, with the Council receiving a financial benefit of £25,156 from being a member of the Gloucestershire Pool. During 2014/15, two factors have impacted significantly upon the performance of the Gloucestershire Pool:

- In Tewkesbury Borough Council, Virgin Media were successful in their appeal of their rateable value (RV) which saw a reduction far greater than had been anticipated by Tewkesbury BC or the Gloucestershire Pool;
- The Government put a deadline of 31st March 2015 for the receipt of appeals against the 2010 list which consequently saw a significant number of appeals lodged in the last 2 weeks of the year. This is a national issue and many councils have had to increase their provisions for appeals by several million pounds. In Gloucestershire, the value of the appeal provision increased by £2.5m (excluding Tewkesbury Borough Council provision) or £9.1m including Tewkesbury Borough Council provision.

2.8 Overall, the Gloucestershire Pool is reporting a deficit position of £2.3m. Once the Pool reserve has been applied to the deficit, the net position is a deficit of £2.1m. The Pool deficit needs to be funded as part of the 2014/15 financial statements, and this Council's contribution to the deficit is £228,988.

Operational Revenue Budgets

2.9 The Council budgeted to make a contribution to the General Fund Working Balance of £1,500. The Net Budget Requirement was £10,821,540. Operational activity has resulted in an out-turn position of £9,516,026; an under-spend of £1,305,514. The most significant budget variances (over £40,000) are set out in paragraph 2.15 "Detailed Variance Analysis" with other variances of more than £10,000 reported at **Appendix 'C'**.

2.10 A summary of overall financial performance against budget is reported at **Appendix 'D'**.

2.11 The Chief Finance Officer has recommended provisions are made for the following two items:

- The Council's investment in the Icelandic Bank Glitnir, although repaid in full, was not fully repatriated to this country as a proportion of the funds were paid in ISK currency and are held in an escrow account earning 4%. Until recently, there were currency restrictions in place which meant that this money could not be released back to the UK. The restrictions have recently been lifted; however, a tax will be applied to any currency repatriated to the UK. It is proposed to establish a provision of £150,000 to cover potential exchange rate losses, taxation or discounted costs to retrieve the funds at the earliest opportunity. Officers have used experience from recent currency auctions to determine a prudent level of provision for exchange losses. [Recommendation (c)];
- The Council has been defending a legal challenge, together with all other local authorities in England, regarding charging for personal searches. A settlement has recently been agreed and a provision of £99,323 is required to fund the proposed settlement [Recommendation (d)].

2.12 The Council will need to fund the business rates deficit in the collection fund as part of the budget setting process in 2016/17. In order to support the Council's prudent approach to financial management, and to protect against future shocks, the Chief Finance Officer is recommending that £650,000 of the under-spend is used to establish a Business Rates Pool reserve which can be used to smooth the impact of the 2014/15 collection fund deficit which will need to be considered as part of 2016/17 budget setting [Recommendation (b)].

Revised revenue out-turn and position of the General Fund Working Balance Position

2.13 In applying the recommendations (b), (c) and (d) to this report, the under-spend for the year (and contribution to the General Fund balance) becomes £71,904.

2.14 The General Fund Working Balance at 1st April 2014 was £2,839,699. If Cabinet agrees the proposed contributions to earmarked reserves and provisions, the General Fund Working Balance will increase to £2,911,603. This is the position which has been assumed for financial accounting purposes and is reflected in the Statement of Accounts.

2.15 The revenue position and the Council's Statement of Accounts will be subject to scrutiny by the Council's external auditors over the summer months. Any changes from these figures will be reported back to Cabinet in September.

Detailed Variance Analysis

2.16 The Council's Financial Rules require budget variances in excess of £10,000 to be reported to Members. A list of the budget variances in excess of £10,000 is included at **Appendix 'C'**. The most significant operational budget variances (over £40,000), during 2014/15 are set out below.

Service Area	Under/Over Budget	£	Comments
Councillor allowances	Under spend	40,345	
Discretionary pension payments	Over spend	67,732	Gloucestershire County Council error re an employee that retired in 2005. Backdated contributions to GCC Pension Fund 2005-2015.
Green waste	Under spend	119,160	Green waste income higher than anticipated, budget for 2015/16 adjusted. Ubico contract cost savings £67,000.
Household waste and recycling	Under spend	120,826	Ubico contract cost savings.
Street cleansing	Under spend	76,583	Ubico contract cost savings.
Licensing	Under spend	41,559	Licensing income has exceeded budget by £21,000. In addition, employee cost savings of £23,000 have also been achieved.

Service Area	Under/Over Budget	£	Comments
Development control	Under spend	484,021	Income from planning fees reflects the exceptional level of demand for planning services. In order to retain skilled officers, a provision has been made for retention payments in 2015/16.
Building control	Over spend	41,177	Income is below budget; however the impact has been partially mitigated by under-spending against the employee budgets.
Land charges	Under spend	48,665	Demand for searches has seen income exceed budget.
Street naming	Under spend	40,486	Savings on contractor costs and internal recharges to the service.
Treasury management	Under spend	98,201	Investment income has exceeded target due to Local Authority Mortgage Interest and the repayment of a loan which resulted in early payment of interest.
Commercial property	Over spend	73,246	Cost of empty property pending disposal and various legal and professional fees for property transactions.

3. Capital Expenditure, Capital Receipts and Reserves

3.1 The approved capital budget for 2014/15 was £7,058,817. Actual capital expenditure was £1,398,718. The most significant variances relate to the following capital projects:

- Unavoidable delay to the acquisition of the new environmental services depot;
- Later than anticipated implementation of car parking site improvements;
- Lower than anticipated spend on disabled facilities grants;
- Fewer vehicles replaced by Ubico in 2014/15 than anticipated.

3.2 Further details of capital expenditure are attached at **Appendix 'E'**.

3.3 Capital activity

3.3.1 The number of approved DFGs (Disabled Facilities Grants) has reduced significantly from 147 in 2013/14 to 95 in 2014/15. It is evident that DFGs are taking longer to approve for eligibility due to the complexity of the structural works (e.g. there are 5 DFGs with the value of between £20k and £30k awaiting approval). The number of enquiries received during this period does not show a comparable decrease, 152 in 2013/14 and 129 in 2014/15 (however, it has been noted that the assessment procedure used by Occupational Therapists has changed and may account for the decrease in the number of enquiries). During the year, 36 out of 129 enquiries were withdrawn and did not proceed any further. There are currently 22 enquiries waiting to be approved which relate back to enquiries in the last two financial years.

3.3.2 In ICT, the work to upgrade the power supply to the server room has now been successfully completed. This upgrade was crucial as it now provides the Council with greater resilience/run time in the event of power loss. Other significant works completed this financial year are - the Planning element of the LEAPS project, the upgrade to the DMS (Document Management System) used by the Revenues and Benefits Service and the upgrade of CIVICA cash receipting system. PCs and laptops have now all been replaced in line with the XP replacement programme (with XP becoming unsupported by Microsoft).

3.3.3 **Flood alleviation work**

Bourton-on-the-Water - Gloucestershire County Council have made a contribution of £2k towards the PLP (Property Level Protection) works to properties and the installation is due in April/May 2015. The flood defence wall at the Ford is now complete.

Moreton-in-Marsh - The PLP work on 21 properties is now complete and the flow control on the FRC is now in place. Additional drainage pipes were also laid across London Road in the vicinity of the Electric Sub Station to assist with mitigating the flood risk to Harvard Close and Artisan Close. It is anticipated that planning applications for the proposed flood diversion pipelines will be submitted late May 2015.

Lechlade - A flood relief culvert has been laid adjacent to the Priory caravan park but the flood relief culverts at the A417 roundabout are outstanding due to stalled negotiations with the land owner.

Lower Slaughter - A replacement Weir is planned to be designed and constructed during the Autumn of 2015.

Somerford Keynes - Watercourse clearance works have been completed in the area but the negotiations to lay flood relief culverts are on-going.

3.3.4 The Council invested in fleet vehicles in 2012/13 to enable Ubico Limited to deliver environmental services on its behalf. Vehicles are replaced as part of a planned programme, which estimates that a vehicle needs replacing approximately every 7 years, when they are no longer financially viable to maintain or poor condition would impact severely on service provision. These vehicle costs are budgeted for as part of the overall service provision. A list of vehicles within the replacement programme has been highlighted as requiring replacement this year. One replacement vehicle has been purchased this year to date. The procurement process of three more replacement vehicles is currently underway.

3.3.5 The Council's Medium Term Financial Strategy assumed capital receipts would be received during 2014/15 of £5,289,000. This included the disposal of a strategic land site. It is now expected that this disposal will take place during 2015/16, and this has been reflected in the updated Medium Term Financial Strategy approved by Council in February 2015.

3.3.6 The actual value of capital receipts generated was £3,208,875. This compares well against a revised capital receipts target of £1,789,000 (excluding the expected income from the strategic land site). In particular, the contribution from Bromford Housing Association in respect of former Right to Buy Properties was £544,414 greater than anticipated.

3.3.7 The Council has successfully operated a Community Projects Fund scheme for a number of years. The existing funding has now been fully committed to schemes. Given the significant capital receipt from Bromford Housing Association, it is recommended that £100,000 of capital funding is made available as top-up funding for Community Project Fund activities.

4. Changes to Financial Rules

4.1 During 2014/15, the Chief Finance Officer has approved the minor following changes to the Council's Financial Rules:

4.2 Change 1

Current rule ref G6.3 All individual BACS payments and cheques drawn for an amount in excess of £25,000 shall be countersigned by another authorised Employee, who shall be an authorised bank signatory to the bank account.

Rule amended to read - G6.3 All individual cheques drawn for an amount in excess of £25,000 shall be countersigned by another authorised Employee, who shall be an authorised bank signatory to the bank account.

This amendment removes the requirement for two bank signatories to be provided for BACS payments in excess of £25,000.

4.3 Change 2

Extract from G5.3 Budget Holders are responsible for:

- Implementing documented procedures for recording, receipting and banking money. Banking should be carried out as frequently as is necessary to keep the amount of money within insurance limits. Each deposit to the bank should be accompanied by a properly completed bank paying-in slip showing:
 - the name and title of the Officer making the banking
 - the total deposited, analysed in denominations of cash and cheques
 - the name of the cheque payees and a debtors reference, where this is available, on the reverse of the slip (also on the reverse of the cheque where payment is by cheque).

N.B. Cheques received to a value in excess of £10,000 must be banked on the day of receipt.

The final note has been changed as follows:

N.B. Cheques received to a value in excess of £10,000 must be banked **at the earliest opportunity but in any event within 3 days** of receipt.

4.4 Both changes reflect current operating practices and have been made to promote service efficiencies without impacting upon the internal control environment.

4.5 The Chief Finance Officer has authority to approve minor changes to the Financial Rules but these must be reported to the Cabinet. Cabinet is therefore asked to note the changes.

5. Risk Management

5.1 Using the Council's approved evaluation criteria and methodology, any risk scoring 12 or above is considered a primary risk.

5.2 Corporate Risks

5.2.1 The Corporate Risk Register was reviewed and updated on 23rd April 2015 by the Risk Management Group, which comprises a Strategic Director and other Senior Managers.

5.2.2 At the end of the year, the register contained three primary risks:

- The lack of capacity to maintain service delivery leading to reduced service delivery performance - vacant posts in Development Management have been filled, however, capacity issues remain in other services such as Revenues and Housing Support and Front of House. Heads of Service will ensure that where capacity issues exist, posts are appropriately filled;
- Reduced capacity to respond to an emergency leading to inability to deal effectively during emergencies, and reputational damage - changes in Corporate Team structure as a result of 2020 Vision interim management appointments, and the recent departures of senior officers has reduced resilience at higher levels of the emergency planning response structure team. A review of emergency planning response has been carried out, and action is being taken to resolve this issue. There is also a corresponding risk in the 2020 Vision Programme that will be mitigated by a cross cutting piece of work looking at emergency planning and response across the four Councils which will be completed in the longer term.
- The impact of the outcome of the General Election on Corporate priorities and funding - although the impact of any change in government is unlikely to be felt until 2016/17 at the earliest.

5.3 Service Risks

Service Risk Registers were updated by Officers to reflect changes to risk ratings at the end of Q4. At the end of Q4, there were no service risks identified as primary to report.

6. Other Reports - Audit of Section 11 of the Children Act

6.1. Cotswold District Council, together with other authorities and agencies across Gloucestershire undertook a self-assessment of the degree to which the Council meets its obligations to safeguard the welfare of children and young people as set out under Section 11 of the Children Act for the year. This self-assessment was then subject to peer review by other organisations through the Gloucestershire Safeguarding Children Board.

6.2 The Council met all its requirements and was rated at least 'good' in all areas. One specific action for the year ahead is for the Shared Head of Leisure and Communities to ensure that the Council's leisure management contractor, SLM continues to meet the requirements of the Council's safeguarding children strategy.

7. Scrutiny

7.1 The former Audit and Scrutiny Committee had been invited to review the Council's performance indicators (including the efficiency measures/basket of indicators established to measure how the Council is progressing towards meeting its aim of being recognised as the most efficient council in the country) to ensure that they were tangible and relevant to the priorities of the District and the Council.

7.2 The Committee established a Working Group to conduct the review and then report back. The review was carried out in two stages - the first dealt with the Council's Efficiency Measures; and the second with the Performance Indicators. The first stage outcome was reported back to, and considered by, the Committee in December 2015, but the second stage of the review was not completed by the end of the 2014/15 municipal year. The Overview and Scrutiny Committee is to be asked how it wishes to deal with the outstanding review element; having regard to the planned deliberations on the new Council Plan and Priorities for the next four years. Any outcome will be reported at the Cabinet Meeting.

7.3 This summary performance report will be reviewed by the Overview and Scrutiny Committee at its meeting on 1st July 2015; and any comments made will be reported at the Cabinet Meeting.

(END)